

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS,
BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND SCHEDULE OF FINDINGS
AND QUESTIONED COSTS

JUNE 30, 2010

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
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MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
 Officials
 June 30, 2010

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2009 Election)		
Frank Hedges	Board President	2011
Dawn Dunnegan	Board Member	2009
Kenton Klenk	Board Member	2009
Michael Brown	Board Member	2009
Ralph Kaufman	Board Member	2011
Toby Gordon	Board Member	2011
David Baker	Board Member	2011
(After September 2009 Election)		
Kenton Klenk	Board President	2013
Frank Hedges	Board Member	2011
Ralph Kaufman	Board Member	2011
Toby Gordon	Board Member	2011
David Baker	Board Member	2011
Dawn Dunnegan	Board Member	2013
Michael Brown	Board Member	2013
School Officials		
Fred Whipple	Superintendent	2010
Dawn Kelly	District Secretary/Treasurer	Indefinite
Brian Gruhn	Attorney	Indefinite

KAY L. CHAPMAN, CPA PC

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Muscatine, Iowa 52761
563-264-1385

Independent Auditor's Report

To the Board of Education
Mediapolis Community School District

I have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Mediapolis Community School District, Mediapolis, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Mediapolis Community School District as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated January 20, 2011 on my consideration of Mediapolis Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 41 through 43 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mediapolis Community School District's basic financial statements. Other supplementary information included in Schedules 1 through 6 and Schedule 8, the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. In my opinion, the information set forth in the supplementary information for each of the seven years in the period ended June 30, 2010, appearing in Schedule 7, is fairly stated, in all material respects in relation to the basic financial statements from which it has been derived.

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
January 20, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Mediapolis Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$7,999,170 in fiscal 2009 to \$7,590,111 in fiscal 2010, and General Fund expenditures increased from \$7,705,974 in fiscal 2009 to \$7,778,716 in fiscal 2010. The District's General Fund balance decreased from \$1,858,639 in fiscal 2009 to \$1,560,723 in fiscal 2010, a 16% decrease.
- Student enrollment was down in September 2009 to 826.8 resident students from 875.9 resident students the previous year.
- The long-term roof replacement project continued with portions of the elementary school roof being replaced during the spring of 2010. This part of the project was completed at a total cost of \$255,834, which was paid out of the Capital Projects Fund.
- The District purchased a pick-up, van and car (all new) in 2009-10 as the fleet continues to be updated. The vehicles were purchased for a total of \$70,427, using PPEL dollars.
- A Fitness and Weight Room Addition was built during 2009-2010 using Capital Projects Fund monies. The cost of the addition was \$377,379 and the cost of the equipment for the addition was \$111,995.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Mediapolis Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Mediapolis Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor governmental and enterprise funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Mediapolis Community School District Annual Financial Report

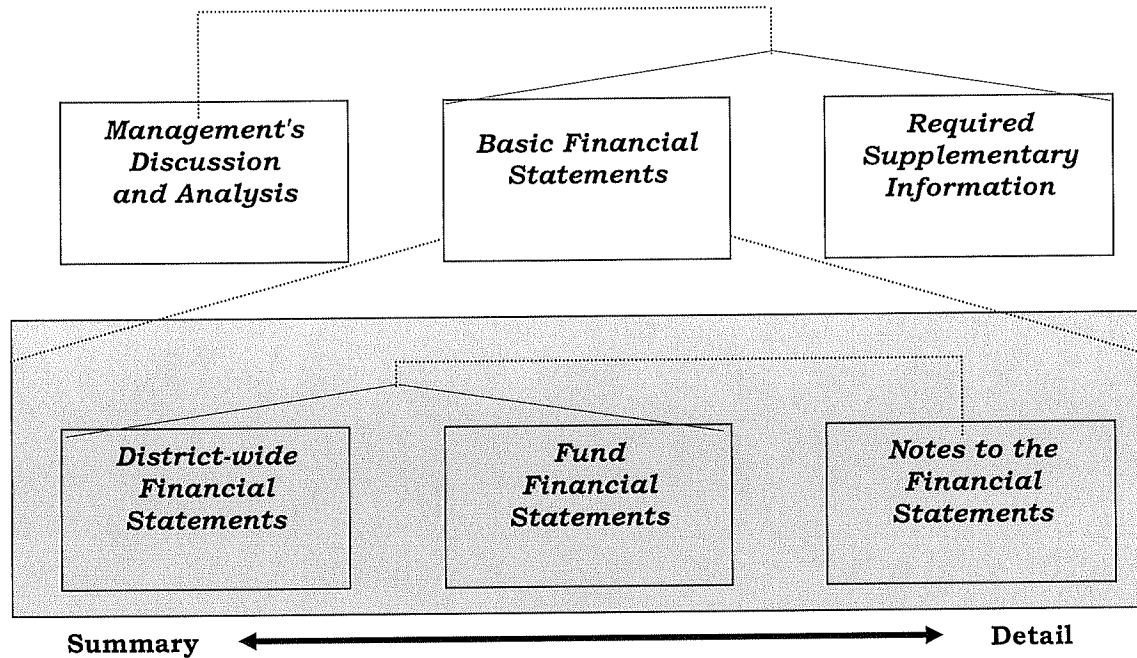


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and preschool program
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.

- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program and preschool program are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and the Preschool Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2010 compared to June 30, 2009.

Figure A-3

Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change 2009- 2010
	2010	2009	2010	2009	2010	2009	2010
Current and other assets	\$ 7,875,101	\$ 7,784,149	\$ 80,852	\$ 49,058	\$ 7,955,953	\$ 7,833,207	1.57%
Capital assets	<u>10,825,445</u>	<u>10,294,079</u>	<u>45,007</u>	<u>42,381</u>	<u>10,870,452</u>	<u>10,336,460</u>	5.17%
Total assets	<u>18,700,546</u>	<u>18,078,228</u>	<u>125,859</u>	<u>91,439</u>	<u>18,826,405</u>	<u>18,169,667</u>	3.61%
Long-term liabilities	88,989	103,192	-	-	88,989	103,192	-13.76%
Other liabilities	<u>3,941,877</u>	<u>3,642,938</u>	<u>10,209</u>	<u>50,974</u>	<u>3,952,086</u>	<u>3,693,912</u>	6.99%
Total liabilities	<u>4,030,866</u>	<u>3,746,130</u>	<u>10,209</u>	<u>50,974</u>	<u>4,041,075</u>	<u>3,797,104</u>	6.43%
Net assets							
Invested in capital assets, net of related debt	10,825,445	10,294,079	45,007	42,381	10,870,452	10,336,460	5.17%
Restricted	2,040,441	1,960,290	-	-	2,040,441	1,960,290	4.09%
Unrestricted	<u>1,803,794</u>	<u>2,077,729</u>	<u>70,643</u>	<u>(1,916)</u>	<u>1,874,437</u>	<u>2,075,813</u>	-9.70%
Total net assets	<u>\$ 14,669,680</u>	<u>\$ 14,332,098</u>	<u>\$ 115,650</u>	<u>\$ 40,465</u>	<u>\$ 14,785,330</u>	<u>\$ 14,372,563</u>	2.87%

The District's combined net assets increased by approximately 3%, or \$412,767, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased by \$80,151, or approximately 4% over the prior year.

Unrestricted net assets represent the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased by \$201,375 or approximately 10%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-4

Change in Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	2010	2009	2010	2009	2010	2009	2009-2010
Revenues							
Program revenues							
Charges for service and sales	\$ 795,243	\$ 679,178	\$ 224,804	\$ 221,571	\$ 1,020,047	\$ 900,749	13.24%
Operating grants	1,563,444	1,162,760	163,027	154,737	1,726,471	1,317,497	31.04%
General revenues							
Property tax	3,104,067	3,589,534	-	-	3,104,067	3,589,534	-13.52%
Statewide sales, services and use tax	728,544	816,522	-	-	728,544	816,522	-10.77%
Unrestricted state grants	2,852,376	3,473,517	-	-	2,852,376	3,473,517	-17.88%
Contributions and donations	14,373	40,428	-	-	14,373	40,428	-64.45%
Unrestricted investment earnings	31,881	46,578	68	171	31,949	46,749	-31.66%
Other	10,777	618	-	-	10,777	618	1643.85%
Special item - gain on sale of assets	-	3,005	-	-	-	3,005	-100.00%
Total revenues and special item	<u>9,100,705</u>	<u>9,812,140</u>	<u>387,899</u>	<u>376,479</u>	<u>9,488,604</u>	<u>10,188,619</u>	-6.87%
Program expenses							
Governmental activities							
Instruction	5,624,243	5,624,437	-	-	5,624,243	5,624,437	0.00%
Support services	2,343,201	2,359,148	-	-	2,343,201	2,359,148	-0.68%
Non-instructional programs	9,536	14,515	423,709	420,871	433,245	435,386	-0.49%
Other expenses	<u>666,676</u>	<u>689,227</u>	<u>-</u>	<u>-</u>	<u>666,676</u>	<u>689,227</u>	-3.27%
Total expenses	<u>8,643,656</u>	<u>8,687,327</u>	<u>423,709</u>	<u>420,871</u>	<u>9,067,365</u>	<u>9,108,198</u>	-0.45%
Change in net assets before transfers	457,049	1,124,813	(35,810)	(44,392)	421,239	1,080,421	-61.01%
Special item - loss on sale of assets	(8,472)	-	-	-	(8,472)	-	-100.00%
Transfers	<u>(110,995)</u>	<u>(53,330)</u>	<u>110,995</u>	<u>53,330</u>	<u>-</u>	<u>-</u>	0.00%
Change in net assets	337,582	1,071,483	75,185	8,938	412,767	1,080,421	-61.80%
Net assets, beginning of year	<u>14,332,098</u>	<u>13,260,615</u>	<u>40,465</u>	<u>31,527</u>	<u>14,372,563</u>	<u>13,292,142</u>	8.13%
Net assets, end of year	<u>\$ 14,669,680</u>	<u>\$ 14,332,098</u>	<u>\$ 115,650</u>	<u>\$ 40,465</u>	<u>\$ 14,785,330</u>	<u>\$ 14,372,563</u>	2.87%

In fiscal 2010, property tax and unrestricted state grants account for 65% of the revenue from governmental activities while charges for service and operating grants account for 99% of the revenue from business type activities.

The District's total revenues were \$9,488,604 of which \$9,100,705 was for governmental activities and \$387,899 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 7% decrease in revenues and a .5% decrease in expenses. The decrease in revenues is mostly related to a decrease in unrestricted state grants.

Governmental Activities

Revenues for governmental activities were \$9,100,705 and expenses were \$8,643,656 for the year ended June 30, 2010. The District continues to balance the budget by monitoring expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-5

	Total and Net Cost of Governmental Activities					
	Total Cost of Services			Net Cost of Services		
			Change			Change
	<u>2010</u>	<u>2009</u>	<u>2009-2010</u>	<u>2010</u>	<u>2009</u>	<u>2009-2010</u>
Instruction	\$ 5,624,243	\$ 5,624,437	0.0%	\$ 3,615,572	\$ 4,109,690	-12.0%
Support services	2,343,201	2,359,148	-0.7%	2,343,201	2,346,367	-0.1%
Non-instructional programs	9,536	14,515	-34.3%	9,536	14,515	-34.3%
Other expenses	<u>666,676</u>	<u>689,227</u>	-3.3%	<u>316,660</u>	<u>374,817</u>	-15.5%
Total expenses	<u>\$ 8,643,656</u>	<u>\$ 8,687,327</u>	-0.5%	<u>\$ 6,284,969</u>	<u>\$ 6,845,389</u>	-8.2%

For the year ended June 30, 2010:

- The cost financed by users of the District's programs was \$795,243.
- Federal and state governments subsidized certain programs with grants totaling \$1,563,444.
- The net cost of governmental activities was financed with \$3,832,611 in property and other taxes and \$2,852,376 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2010 were \$387,899 representing a 3% increase over the prior year and expenses were \$423,709, a 1% increase over the prior year. The District's business type activities include the School Nutrition Fund and Preschool Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

The Board voted in April 2009 to increase student breakfast and lunch prices for the 2009-10 school year in an effort to generate adequate yearly revenue to cover yearly costs; this accounts for the increase in Nutrition Fund revenues for 2009-10. The Board will continue to monitor the Nutrition Fund's yearly revenue and expenses and make adjustments, if needed.

Also during fiscal 2010, the District continued its Pre-K program. State funding follows a year behind in this type of program and this fund has continued to show a negative balance for several years. In August 2009, the Board, having reviewed the financial statements and other relevant data of the Mediapolis Pre-K program, determined that it was unlikely that the Pre-K program would recover its start-up costs in the future and resolved to completely and immediately forgive the Pre-K loan from the General Fund,

this loan being in the amount of \$38,897 at 6/30/2009. At 6/30/2010, the Pre-K program had a positive fund balance. The Board will continue to closely monitor this program and make any adjustments if required.

INDIVIDUAL FUND ANALYSIS

As previously noted, Mediapolis Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$3,453,021, slightly below last year's ending fund balances of \$3,722,304. The primary reason for the decrease in combined fund balances in fiscal 2010 is due to a decrease in unrestricted state grant revenue in 2009-10.

Governmental Fund Highlights

- The General Fund balance decreased from \$1,858,639 at June 30, 2009 to \$1,560,723 at June 30, 2010. This decrease was due in part to a decrease in unrestricted state grant revenue in 2009-10.
- The Capital Projects Fund balance decreased from \$964,283 in fiscal 2009 to \$947,579 in fiscal 2010 due to fiscal year 2010 expenditures for site improvement projects (roofing project, fitness and weight room addition, and other smaller projects) being higher than the local option sales, services and use tax receipts in fiscal year 2009-10.

Proprietary Fund Highlights

Proprietary Fund net assets increased from \$40,465 at June 30, 2009 to \$115,650 at June 30, 2010, representing an increase of approximately 186%. The increase is attributed to the Board voting to increase breakfast and lunch prices in April 2009, in order to cover increasing costs and in anticipation of equipment repairs and replacements.

BUDGETARY HIGHLIGHTS

During the 2010 year, Mediapolis Community School District did not amend its budget.

The District's revenues were \$1,229,799 less than budgeted revenues, a variance of 12%. This was due in part to a conservative approach to budgeting estimated revenues for fiscal year 2010, including income surtax revenue.

Total expenditures were \$1,783,325 less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at an amount less than the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$10,870,453 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 5% over last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$473,111.

The original cost of the District's capital assets was \$16,810,981. Governmental funds account for \$16,625,950, with the remainder of \$185,031 accounted for in the Proprietary, School Nutrition Fund.

The biggest change in capital asset activity during the year occurred in the improvements other than buildings category, which decreased from \$314,167 in 2009 to \$282,045 in 2010 due to annual depreciation expense.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2009-</u> <u>2010</u>
Land	\$ 65,743	\$ 65,743	\$ -	\$ -	\$ 65,743	\$ 65,743	0.00%
Buildings and improvements	9,640,754	9,123,199	-	-	9,640,754	9,123,199	5.67%
Improvements, other than buildings	282,045	314,167	-	-	282,045	314,167	-10.22%
Furniture and equipment	<u>836,903</u>	<u>790,970</u>	<u>45,008</u>	<u>42,381</u>	<u>881,911</u>	<u>833,351</u>	5.83%
Totals	<u>\$10,825,445</u>	<u>\$10,294,079</u>	<u>\$45,008</u>	<u>\$42,381</u>	<u>\$10,870,453</u>	<u>\$10,336,460</u>	5.17%

Long-Term Debt

At June 30, 2010, the District had \$88,989 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 20% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$12 million.

Figure A-7

	Outstanding Long-term Obligations		
	Total		Total
	District		Change
	<u>2010</u>	<u>2009</u>	<u>2009-2010</u>
Governmental activities			
Compensated absences	\$ 13,288	\$ 7,279	82.55%
Termination benefits	64,590	103,250	-37.44%
Net OPEB liability	<u>11,111</u>	<u>-</u>	100.00%
Total	<u>\$ 88,989</u>	<u>\$110,529</u>	-19.49%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District continues to experience a small decline in enrollment.
- The bus replacement program will continue with replacement of one bus during 2010-11.
- A five-year roof replacement program, which was begun in 2008, will continue with work during the spring and summer of 2011.
- Given the history of Mediapolis CSD's teacher salary settlement percentages and average settlement percentages across the State of Iowa, the District's finances could be adversely effected as a result of the negotiation settlement for the 2011-12 school year, and years after that.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dawn Kelly, District Secretary/Treasurer, Mediapolis Community School District, 725 N. Northfield Street, Mediapolis, Iowa 52637.

Basic Financial Statements

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2010

Exhibit A

	Governmental	Business Type	Total
Assets	<u>Activities</u>	<u>Activities</u>	<u></u>
Cash and cash equivalents	\$ 4,113,735	\$ 62,618	\$ 4,176,353
Receivables			
Property tax			
Delinquent	34,887	-	34,887
Succeeding year	3,048,363	-	3,048,363
Accounts receivable	63,332	-	63,332
Income surtaxes	420,914	-	420,914
Due from other governments	193,870	-	193,870
Inventories	-	18,234	18,234
Non-depreciable capital assets	65,743	-	65,743
Capital assets, net of accumulated depreciation	<u>10,759,702</u>	<u>45,007</u>	<u>10,804,709</u>
Total assets	<u>18,700,546</u>	<u>125,859</u>	<u>18,826,405</u>
Liabilities			
Accounts payable	178,606	526	179,132
Salaries and benefits payable	714,908	9,683	724,591
Deferred revenue			
Succeeding year property tax	3,048,363	-	3,048,363
Long-term liabilities			
Portion due within one year			
Compensated absences	7,279	-	7,279
Termination benefits payable	35,913	-	35,913
Portion due after one year			
Compensated absences	6,009	-	6,009
Termination benefits payable	28,677	-	28,677
Net OPEB liability	<u>11,111</u>	<u>-</u>	<u>11,111</u>
Total liabilities	<u>4,030,866</u>	<u>10,209</u>	<u>4,041,075</u>
Net Assets			
Invested in capital assets	10,825,445	45,007	10,870,452
Restricted for			
Categorical funding	128,550	-	128,550
Management levy	197,645	-	197,645
Physical plant and equipment levy	609,314	-	609,314
Other special revenue purposes	157,353	-	157,353
Capital projects	947,579	-	947,579
Unrestricted	<u>1,803,794</u>	<u>70,643</u>	<u>1,874,437</u>
Total net assets	<u>\$ 14,669,680</u>	<u>\$115,650</u>	<u>\$14,785,330</u>

See notes to financial statements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2010

Exhibit B

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Assets</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Governmental activities						
Instruction						
Regular instruction	\$ 3,605,004	\$ 552,505	\$ 1,108,338	\$ -	\$ (1,944,161)	\$ -
Special instruction	996,650	54,181	83,913	-	(858,556)	-
Other instruction	1,022,589	188,557	21,177	-	(812,855)	-
	<u>5,624,243</u>	<u>795,243</u>	<u>1,213,428</u>	<u>-</u>	<u>(3,615,572)</u>	<u>-</u>
Support services						
Student	168,536	-	-	-	(168,536)	-
Instructional staff	323,885	-	-	-	(323,885)	-
Administration	738,876	-	-	-	(738,876)	-
Operation and maintenance of plant	573,013	-	-	-	(573,013)	-
Transportation	538,891	-	-	-	(538,891)	-
	<u>2,343,201</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,343,201)</u>	<u>-</u>
Non-instructional programs	<u>9,536</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,536)</u>	<u>-</u>
Other expenses						
Facilities acquisition	8,849	-	-	-	(8,849)	-
AEA flowthrough	350,016	-	350,016	-	-	-
Depreciation (unallocated) *	307,811	-	-	-	(307,811)	-
	<u>666,676</u>	<u>-</u>	<u>350,016</u>	<u>-</u>	<u>(316,660)</u>	<u>-</u>
Total governmental activities	<u>8,643,656</u>	<u>795,243</u>	<u>1,563,444</u>	<u>-</u>	<u>(6,284,969)</u>	<u>-</u>

See notes to financial statements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2010

Exhibit B

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities
<u>Functions/Programs (continued)</u>						<u>Total</u>
Business type activities						
Non-instructional programs						
Food service operations	\$ 362,715	\$ 213,174	\$ 163,027	\$ -	\$ -	\$ 13,486
Preschool program	60,994	11,630	-	-	-	(49,364)
Total business type activities	<u>423,709</u>	<u>224,804</u>	<u>163,027</u>	<u>-</u>	<u>-</u>	<u>(35,878)</u>
Total	<u>\$ 9,067,365</u>	<u>\$ 1,020,047</u>	<u>\$ 1,726,471</u>	<u>\$ -</u>	<u>(6,284,969)</u>	<u>(6,320,847)</u>
<u>General Revenues</u>						
Property tax levied for						
General purposes					2,865,469	2,865,469
Capital outlay					238,598	238,598
Statewide sales, services and use tax					728,544	728,544
Unrestricted state grants					2,852,376	2,852,376
Contributions and donations					14,373	14,373
Unrestricted investment earnings					31,881	31,949
Other					10,777	10,777
Transfers					(110,995)	110,995
Special item - loss on sale of assets					(8,472)	-
Total general revenues, special item and transfers					<u>6,622,551</u>	<u>111,063</u>
Change in net assets					337,582	75,185
Net assets, beginning of year					14,332,098	40,465
Net assets, end of year					<u>\$ 14,669,680</u>	<u>\$ 14,785,330</u>

* This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT

Exhibit C

Balance Sheet
Governmental Funds
June 30, 2010

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$2,313,914	\$851,494	\$ 948,327	\$4,113,735
Receivables				
Property tax				
Delinquent	31,324	-	3,563	34,887
Succeeding year	2,760,022	-	288,341	3,048,363
Accounts receivable	33,396	-	29,936	63,332
Income surtax	336,731	-	84,183	420,914
Due from other governments	85,010	108,852	8	193,870
Total assets	<u>\$5,560,397</u>	<u>\$960,346</u>	<u>\$1,354,358</u>	<u>\$7,875,101</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 131,704	\$ 12,767	\$ 34,135	\$ 178,606
Salaries and benefits payable	711,928	-	2,980	714,908
Deferred revenue				
Succeeding year property tax	2,760,022	-	288,341	3,048,363
Income surtax	336,731	-	84,183	420,914
Other	59,289	-	-	59,289
Total liabilities	<u>3,999,674</u>	<u>12,767</u>	<u>409,639</u>	<u>4,422,080</u>
Fund balances				
Reserved for				
Categorical funding	128,550	-	-	128,550
Unreserved, governmental funds	1,432,173	947,579	-	2,379,752
Unreserved, special revenue funds	-	-	944,719	944,719
Total fund balances	<u>1,560,723</u>	<u>947,579</u>	<u>944,719</u>	<u>3,453,021</u>
Total liabilities and fund balances	<u>\$5,560,397</u>	<u>\$960,346</u>	<u>\$1,354,358</u>	<u>\$7,875,101</u>

See notes to financial statements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets
June 30, 2010

Exhibit D

Total fund balances of governmental funds	\$ 3,453,021
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**Amounts reported for governmental activities in the Statement of Net Assets
are different because:**

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	10,825,445
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Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	480,203
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Long-term liabilities, including compensated absences, termination benefits and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(88,989)</u>
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Net assets of governmental activities	<u>\$14,669,680</u>
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MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

Exhibit E

		Capital	Nonmajor	
	<u>General</u>	<u>Projects</u>	<u>Governmental</u>	<u>Total</u>
Revenues			Funds	
Local sources				
Local tax	\$2,542,703	\$728,544	\$ 444,901	\$3,716,148
Tuition	494,985	-	-	494,985
Other	81,436	7,296	268,556	357,288
State sources	3,751,832	-	-	3,751,832
Federal sources	719,155	-	-	719,155
Total revenues	<u>7,590,111</u>	<u>735,840</u>	<u>713,457</u>	<u>9,039,408</u>
Expenditures				
Current				
Instruction				
Regular	3,576,350	-	52,964	3,629,314
Special	999,875	-	-	999,875
Other	748,263	-	267,989	1,016,252
	<u>5,324,488</u>	<u>-</u>	<u>320,953</u>	<u>5,645,441</u>
Support services				
Student	167,781	-	477	168,258
Instructional staff	322,987	-	477	323,464
Administration	713,952	-	12,666	726,618
Operation and maintenance of plant	531,383	-	36,254	567,637
Transportation	368,109	-	126,127	494,236
	<u>2,104,212</u>	<u>-</u>	<u>176,001</u>	<u>2,280,213</u>
Non-instructional programs	<u>-</u>	<u>-</u>	<u>9,536</u>	<u>9,536</u>
Other expenditures				
Facilities acquisition	-	817,945	96,229	914,174
AEA flowthrough	350,016	-	-	350,016
	<u>350,016</u>	<u>817,945</u>	<u>96,229</u>	<u>1,264,190</u>
Total expenditures	<u>7,778,716</u>	<u>817,945</u>	<u>602,719</u>	<u>9,199,380</u>

See notes to financial statements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (188,605)</u>	<u>\$ (82,105)</u>	<u>\$ 110,738</u>	<u>\$ (159,972)</u>
Other financing sources (uses)				
Sale of equipment and materials	1,684	-	-	1,684
Interfund operating transfers in	-	65,401	-	65,401
Interfund operating transfers (out)	<u>(110,995)</u>	<u>-</u>	<u>(65,401)</u>	<u>(176,396)</u>
Total other financing sources (uses)	<u>(109,311)</u>	<u>65,401</u>	<u>(65,401)</u>	<u>(109,311)</u>
Net change in fund balances	(297,916)	(16,704)	45,337	(269,283)
Fund balance, beginning of year	<u>1,858,639</u>	<u>964,283</u>	<u>899,382</u>	<u>3,722,304</u>
Fund balance, end of year	<u><u>\$1,560,723</u></u>	<u><u>\$947,579</u></u>	<u><u>\$ 944,719</u></u>	<u><u>\$3,453,021</u></u>

See notes to financial statements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2010

Exhibit F

Net change in fund balances - total governmental funds \$(269,283)

**Amounts reported for governmental activities in the Statement of Activities
are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense are as follows:

Expenditures for capital assets	\$1,007,783	
Loss on disposal of capital assets	(17,492)	
Depreciation expense	<u>(466,262)</u>	524,029

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	61,296
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Early retirement	\$ 38,660	
Compensated absences	(6,009)	
Other postemployment benefits	<u>(11,111)</u>	<u>21,540</u>

Change in net assets of governmental activities \$ 337,582

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
Proprietary Funds
June 30, 2010

Exhibit G

	Nonmajor Enterprise Funds
Assets	
Cash and cash equivalents	\$ 62,618
Inventories	18,234
Capital assets, net of accumulated depreciation	<u>45,007</u>
Total assets	<u>125,859</u>
Liabilities	
Accounts payable	526
Salaries and benefits payable	<u>9,683</u>
Total liabilities	<u>10,209</u>
Net Assets	
Invested in capital assets	45,007
Unrestricted	<u>70,643</u>
Total net assets	<u>\$115,650</u>

See notes to financial statements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2010

Exhibit H

	Nonmajor Enterprise Funds
Operating revenue	
Local sources	
Charges for service	<u>\$224,804</u>
Operating expenses	
Instruction	
Regular	60,994
Support services	
Administration	19,866
Operation and maintenance of plant	748
Non-instructional programs	
Food service operations	<u>342,101</u>
Total operating expenses	<u>423,709</u>
Operating loss	<u>(198,905)</u>
Non-operating revenues	
Interest income	68
State sources	3,964
Federal sources	<u>159,063</u>
Total non-operating revenues	<u>163,095</u>
Net loss before transfers	(35,810)
Transfers in	<u>110,995</u>
Net income	75,185
Net assets, beginning of year	<u>40,465</u>
Net assets, end of year	<u><u>\$115,650</u></u>

See notes to financial statements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2010

Exhibit I

	Nonmajor Enterprise Funds
Cash flows from operating activities	
Cash received from sale of services	\$ 224,901
Cash payments to employees for services	(226,509)
Cash payments to suppliers for goods and services	(202,816)
Net cash used in operating activities	(204,424)
Cash flows from non-capital financing activities	
Operating transfers from other fund	110,995
State grants received	3,964
Federal grants received	130,715
Net cash provided by non-capital financing activities	245,674
Cash flows from capital and related financing activities	
Acquisition of capital assets	(9,475)
Cash flows from investing activities	
Interest on investments	68
Net increase in cash and cash equivalents	31,843
Cash and cash equivalents, beginning of year	30,775
Cash and cash equivalents, end of year	<u>\$ 62,618</u>

**Reconciliation of operating loss to net cash
used in operating activities**

Operating loss	\$(198,905)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	6,849
Commodities used	28,348
Decrease in accounts receivable	97
(Increase) in inventory	(49)
(Decrease) in accounts payable	(2,257)
(Decrease) in due to other funds	(38,897)
Increase in accrued salaries and benefits	390
Net cash used in operating activities	<u>\$(204,424)</u>

Non-cash investing, capital and related financing activities

During the year ended June 30, 2010 the District received \$28,348 of federal commodities.

See notes to financial statements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

Note 1. Summary of Significant Accounting Policies

The Mediapolis Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Mediapolis, Iowa, and the agricultural territory in Des Moines and Louisa Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Mediapolis Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. The Mediapolis Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets consists of capital assets, net of accumulated depreciation.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports no major proprietary funds. However, the District reports two nonmajor proprietary funds. The Enterprise, School Nutrition Fund is used to account for the food service operations of the District and the Enterprise, Preschool Fund is used to account for the operation of the district-run preschool.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, compensated absences and termination benefits are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary funds of the District apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value, except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current year and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2009.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives

are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,500
Buildings	\$ 2,500
Improvements other than buildings	\$ 2,500
Intangibles	\$25,000
Furniture and equipment:	
School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$ 2,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Useful Life</u>
Buildings and improvements	50 years
Improvements other than buildings	20 years
Intangibles	5-10 years
Furniture and equipment	5-12 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as succeeding year property tax and income surtaxes not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Termination Benefits - Certified District employees meeting certain requirements are eligible for early retirement benefits. A liability is recorded when incurred in the government-

financial statements only for employees that have resigned or retired. The early retirement liability has been computed based on rates of pay in effect at June 30, 2010. The early retirement liability attributable to the governmental activities will be paid primarily from the Management Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balance - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Net Assets - Invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets consist of net assets with constraints placed on the use either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net assets reports \$806,959 of restricted net assets which is restricted by enabling legislation.

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2010, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$4,962 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>
Non-major governmental	Capital projects	
Debt service		\$ 65,401
General	Non-major enterprise	
	Preschool	<u>110,995</u>
		<u>\$ 176,396</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The transfer from the Debt Service Fund to the Capital Projects Fund was to move monies not needed for debt service to be used for building projects. The transfer from the General Fund to the Preschool Fund was for state foundation aid received for 5-year olds enrolled in the preschool program.

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

<u>Governmental activities</u>	<u>Balance, Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, End of Year</u>
Capital assets not being depreciated:				
Land	<u>\$ 65,743</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,743</u>
Capital assets being depreciated:				
Buildings and improvements	13,139,923	781,846	-	13,921,769
Improvements other than buildings	800,912	-	-	800,912
Furniture and equipment	<u>1,635,068</u>	<u>225,937</u>	<u>(23,479)</u>	<u>1,837,526</u>
Total capital assets being depreciated	<u>15,575,903</u>	<u>1,007,783</u>	<u>(23,479)</u>	<u>16,560,207</u>

Less accumulated depreciation for:

Buildings and improvements	4,016,724	264,291	-	4,281,015
Improvements other than buildings	486,745	32,122	-	518,867
Furniture and equipment	<u>844,098</u>	<u>169,849</u>	<u>(13,324)</u>	<u>1,000,623</u>
Total accumulated depreciation	<u>5,347,567</u>	<u>466,262</u>	<u>(13,324)</u>	<u>5,800,505</u>
Total capital assets being depreciated, net	<u>10,228,336</u>	<u>541,521</u>	<u>(10,155)</u>	<u>10,759,702</u>
Governmental activities capital assets, net	<u>\$ 10,294,079</u>	<u>\$ 541,521</u>	<u>\$ (10,155)</u>	<u>\$ 10,825,445</u>

Business type activities

Furniture and equipment	\$ 175,556	\$ 9,475	\$ -	\$ 185,031
Less accumulated depreciation	<u>133,175</u>	<u>6,849</u>	<u>-</u>	<u>140,024</u>
Business type activities capital assets, net	<u>\$ 42,381</u>	<u>\$ 2,626</u>	<u>\$ -</u>	<u>\$ 45,007</u>

Depreciation expense was charged to the following functions:

Governmental activities

Instruction	
Regular	\$ 1,404
Other	9,516
Support services	
Administration	5,201
Operation and maintenance of plant	5,359
Transportation	<u>136,971</u>
	158,451
Unallocated depreciation	<u>307,811</u>
Total governmental activities depreciation expense	<u>\$ 466,262</u>

Business type activities

Food services	<u>\$ 6,849</u>
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Note 5. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
Governmental activities					
Compensated absences	\$ 7,279	\$ 15,502	\$ (9,493)	\$ 13,288	\$ 7,279
Termination benefits	103,250	-	(38,660)	64,590	35,913
Net OPEB liability	<u>-</u>	<u>11,111</u>	<u>-</u>	<u>11,111</u>	<u>-</u>
Totals	<u>\$ 110,529</u>	<u>\$ 26,613</u>	<u>\$(48,153)</u>	<u>\$ 88,989</u>	<u>\$ 43,192</u>

There was no interest costs incurred and charged to expense for the year ended June 30, 2010.

Termination Benefits

Certified District employees who have 25 years of continuous service and are at least 55 years of age, are eligible for early retirement pay. Employees who participate in the early retirement program shall receive a benefit of \$21,000. Non-certified employees who are 55 years of age or older and have 10 years of service to the District also qualify for early retirement benefits. The retirement benefit for non-certified employees is equal to two and one-half days' pay for each year of service to the District. Early retirement expenditures for the year ended June 30, 2010 totaled \$38,660. At June 30, 2010, the District had obligations to three participants with a total liability of \$64,590 for termination benefits.

Note 6. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA, 50306-9117.

Plan members were required to contribute 4.30%, 4.10 % and 3.90% of their annual covered salary and the District was required to contribute 6.65%, 6.35% and 6.05% of annual covered payroll for the years ended June 30, 2010, 2009 and 2008 respectively. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$342,476, \$328,935 and \$289,245, respectively, equal to the required contributions for each year.

Note 7. Other Postemployment Benefits (OPEB)

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2010.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 25 active and three retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of the plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 13,054
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost	13,054
Contributions made	<u>(1,943)</u>
Increase in net OPEB obligation	11,111
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u><u>\$ 11,111</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$1,943 to the medical plan. Plan members eligible for benefits contributed nothing of the premium costs for the OPEB obligation.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/10 \$	13,054	14.9%	\$ 11,111

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$120,826, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$120,826. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4.48 million and the ratio of UAAL to covered payroll was 2.7%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2009 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 8. Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$350,016 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Contingencies

Grant Funding - The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2010, significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

Note 11. New Governmental Accounting Standards Board (GASB) Statements

The District implemented the following statements during the year ended June 30, 2010:

- GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports. The effect of the adoption of this Statement to the District was to record a liability of \$11,111 for the net other postemployment benefit obligation. The actuarial accrued liability is estimated by an actuary to be \$120,826.
- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement provides guidance regarding how to identify, account for, and report intangible

assets. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature, and has an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, computer software, water rights, timber rights, patents and trademarks. This standard provides that intangible assets be classified as capital assets (except for those explicitly excluded from the scope of the new standard, such as capital leases). Relevant authoritative guidance for capital assets should be applied to these intangible assets. This Statement had no effect to the District since the District had no intangible assets to be reported as of June 30, 2010.

- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement will improve how state and local governments report information about derivative instruments in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in the Statement also addresses hedge accounting requirements. This Statement had no effect to the District. Furthermore, Iowa Code Chapter 128.10 does not authorize districts to invest in derivative instruments.
- GASB Statement No. 58 *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. This Statement provides guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It establishes requirements for recognizing and measuring the effects of the bankruptcy process on assets and liabilities, and for classifying changes in those items and related costs. The adoption of this statement had no effect to the District.

As of June 30, 2010, the GASB had issued several Statements not yet implemented by the District. The Statements which might impact the District are as follows:

- GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Issued March 2009, will be effective for the District beginning with its year ending June 30, 2011. This Statement is intended to improve the usefulness of information provided to financial report users about fund balances by providing clearer, more structured fund balance clarifications, and by clarifying the definitions of existing governmental fund types. Fund balance information is among the most widely and frequently used information in state and local government financial reports. The GASB developed this standard to address the diversity of practice and the resulting lack of consistency that had evolved in fund balance reporting. To reduce confusion, the new standard establishes a hierarchy of fund balance classification based primarily on the extent to which government is bound to observe spending constraints.
- GASB Statement No. 57 *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, an amendment of GASB Statement No. 43 and No. 45, issued January 2010, will be effective for the District beginning with its year ending June 30, 2012. This

Statement addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans.

- GASB Statement No. 59, Financial Instruments Omnibus, issued June 2010, will be effective for the District beginning with its year ending June 30, 2011. This Statement is intended to update and improve existing standards regarding financial reporting of certain financial instruments and external investments pools. Specifically, this Statement provides financial reporting guidance by emphasizing the applicability of SEC requirements to certain external investments pool, addressing the applicability of GASB 53, Accounting and Financial Reporting for Derivative Instruments, and applying the reporting provisions for interest-earning investment contracts of GASB 31, Accounting and Financial Reporting for Certain Investments and for External Investments Pools.

The District's management has not yet determined the effect these Statements will have on the District's financial statements.

Note 12. Categorical Funding

The District's reserved fund balance for categorical funding at June 30, 2010 is comprised of the following programs:

Program

Property tax and state aid financed home school assistance program	\$ 12,038
Property tax and state aid financed weighted at-risk program	38,042
Returning dropouts and dropout prevention programs	2,687
Teacher comp, teacher salary supplement	39,227
Teacher comp, professional development	868
Educator quality, Iowa core curriculum	10,364
Educator quality, professional development	18,939
Edicatpr qiaality, market factor incentives	<u>6,385</u>
	<u>\$ 128,550</u>

Required Supplementary Information

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual All Governmental Funds and Proprietary Funds Required Supplementary Information For the Year Ended June 30, 2010

	Governmental		Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds Actual	Funds Actual	Funds Actual		Original	Final	
Revenues							
Local sources	\$ 4,568,421	\$224,872		\$4,793,293	\$5,085,364	\$5,085,364	\$ (292,071)
State sources	3,751,832	3,964		3,755,796	5,099,742	5,099,742	(1,343,946)
Federal sources	719,155	159,063		878,218	472,000	472,000	406,218
Total revenues	<u>9,039,408</u>	<u>387,899</u>		<u>9,427,307</u>	<u>10,657,106</u>	<u>10,657,106</u>	<u>(1,229,799)</u>
Expenditures/Expenses							
Instruction	5,645,441	60,994		5,706,435	6,259,305	6,259,305	552,870
Support services	2,280,213	20,614		2,300,827	2,878,222	2,878,222	577,395
Non-instructional programs	9,536	342,101		351,637	385,458	385,458	33,821
Other expenditures	1,264,190	-		1,264,190	1,883,429	1,883,429	619,239
Total expenditures/expenses	<u>9,199,380</u>	<u>423,709</u>		<u>9,623,089</u>	<u>11,406,414</u>	<u>11,406,414</u>	<u>1,783,325</u>
(Deficiency) of revenues (under) expenditures/expenses Net other financing sources (uses)	(159,972) (109,311)	(35,810) 110,995		(195,782) 1,684	(749,308) 3,500	(749,308) 3,500	553,526 (1,816)
Net change in fund balance Balance, beginning of year Balance, end of year	(269,283) 3,722,304 <u>\$ 3,453,021</u>	75,185 40,465 <u>\$115,650</u>		(194,098) 3,762,769 <u>\$3,568,671</u>	(745,808) 2,377,717 <u>\$1,631,909</u>	(745,808) 2,377,717 <u>\$1,631,909</u>	551,710 1,385,052 <u>\$1,936,762</u>

See accompanying Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2010

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. The District did not amend its published budget during the year ended June 30, 2010.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Schedule of Funding Progress for the
Retiree Health Plan
Required Supplementary Information

<u>Year Ended June 30,</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
2010	July 1, 2009	\$ -	\$120,826	\$120,826	\$ -	\$4,483,521	2.7%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Other Supplementary Information

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010

Schedule 1

	Special Revenue			
	Student	Management	Physical Plant and Equipment	
	<u>Activity</u>	<u>Levy</u>	<u>Levy</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$164,409	\$260,494	\$523,424	\$ 948,327
Receivables				
Property tax				
Delinquent	-	1,737	1,826	3,563
Succeeding year	-	160,001	128,340	288,341
Accounts receivable	29,936	-	-	29,936
Income surtax	-	-	84,183	84,183
Due from other governments	-	4	4	8
Total assets	<u>\$194,345</u>	<u>\$422,236</u>	<u>\$737,777</u>	<u>\$1,354,358</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 34,012	\$ -	\$ 123	\$ 34,135
Salaries and benefits payable	2,980	-	-	2,980
Deferred revenue				
Succeeding year property tax	-	160,001	128,340	288,341
Income surtax	-	-	84,183	84,183
Total liabilities	36,992	160,001	212,646	409,639
Fund balances				
Unreserved fund balances	<u>157,353</u>	<u>262,235</u>	<u>525,131</u>	<u>944,719</u>
Total liabilities and fund balances	<u>\$194,345</u>	<u>\$422,236</u>	<u>\$737,777</u>	<u>\$1,354,358</u>

See accompanying Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2010

Schedule 2

	Special Revenue				Total
	Student Activity	Management Levy	Physical Plant and Equipment Levy	Debt Service	
Revenues					
Local sources					
Local taxes	\$ -	\$ 160,008	\$ 284,893	\$ -	\$ 444,901
Other	260,704	3,962	3,727	163	268,556
Total revenues	<u>260,704</u>	<u>163,970</u>	<u>288,620</u>	<u>163</u>	<u>713,457</u>
Expenditures					
Current					
Instruction					
Regular	-	52,964	-	-	52,964
Other	267,989	-	-	-	267,989
Total instruction	<u>267,989</u>	<u>52,964</u>	<u>-</u>	<u>-</u>	<u>320,953</u>
Support services					
Student	-	477	-	-	477
Instructional staff	-	477	-	-	477
Administration	-	12,666	-	-	12,666
Operation and maintenance of plant	-	36,254	-	-	36,254
Transportation	-	33,189	92,938	-	126,127
Total support services	<u>-</u>	<u>83,063</u>	<u>92,938</u>	<u>-</u>	<u>176,001</u>
Non-instructional programs	-	9,536	-	-	9,536
Other expenditures					
Facilities acquisition	-	-	96,229	-	96,229
Total expenditures	<u>267,989</u>	<u>145,563</u>	<u>189,167</u>	<u>-</u>	<u>602,719</u>
Excess (deficiency) of revenues over (under) expenditures	(7,285)	18,407	99,453	163	110,738
Other financing uses					
Interfund operating transfers (out)	-	-	-	(65,401)	(65,401)
Net change in fund balances	(7,285)	18,407	99,453	(65,238)	45,337
Fund balances, beginning of year	164,638	243,828	425,678	65,238	899,382
Fund balances, end of year	<u>\$ 157,353</u>	<u>\$ 262,235</u>	<u>\$ 525,131</u>	<u>\$ -</u>	<u>\$ 944,719</u>

See accompanying Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2010

Schedule 3

	School <u>Nutrition</u>	<u>Preschool</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 39,490	\$ 23,128	\$ 62,618
Inventories	18,234	-	18,234
Capital assets, net of accumulated depreciation	<u>45,007</u>	<u>-</u>	<u>45,007</u>
Total assets	<u>102,731</u>	<u>23,128</u>	<u>125,859</u>
Liabilities			
Accounts payable	434	92	526
Salaries and benefits payable	<u>1,719</u>	<u>7,964</u>	<u>9,683</u>
Total liabilities	<u>2,153</u>	<u>8,056</u>	<u>10,209</u>
Net Assets			
Invested in capital assets	45,007	-	45,007
Unrestricted	<u>55,571</u>	<u>15,072</u>	<u>70,643</u>
Total net assets	<u><u>\$100,578</u></u>	<u><u>\$ 15,072</u></u>	<u><u>\$115,650</u></u>

See accompanying Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Year Ended June 30, 2010

Schedule 4

	School <u>Nutrition</u>	<u>Preschool</u>	<u>Total</u>
Operating revenue			
Local sources			
Charges for service	\$213,174	\$ 11,630	\$224,804
Operating expenses			
Instruction			
Regular			
Salaries	-	44,338	44,338
Benefits	-	16,265	16,265
Supplies	-	391	391
	<u>-</u>	<u>60,994</u>	<u>60,994</u>
Support services			
Administration			
Salaries	10,611	-	10,611
Benefits	9,255	-	9,255
	<u>19,866</u>	<u>-</u>	<u>19,866</u>
Operation and maintenance of plant			
Purchased services	748	-	748
Non-instructional programs			
Food service operations			
Salaries	110,198	-	110,198
Benefits	36,232	-	36,232
Purchased services	2,060	-	2,060
Supplies	186,762	-	186,762
Depreciation	6,849	-	6,849
	<u>342,101</u>	<u>-</u>	<u>342,101</u>
Total operating expenses	<u>362,715</u>	<u>60,994</u>	<u>423,709</u>
Operating loss	<u>(149,541)</u>	<u>(49,364)</u>	<u>(198,905)</u>
Non-operating revenue			
Interest income	68	-	68
State sources	3,964	-	3,964
Federal sources	159,063	-	159,063
Total non-operating revenue	<u>163,095</u>	<u>-</u>	<u>163,095</u>
Net income (loss) before transfers	13,554	(49,364)	(35,810)
Transfers in	-	110,995	110,995
Net income	<u>13,554</u>	<u>61,631</u>	<u>75,185</u>
Net assets, beginning of year	87,024	(46,559)	40,465
Net assets, end of year	<u>\$100,578</u>	<u>\$ 15,072</u>	<u>\$115,650</u>

See accompanying Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2010

Schedule 5

	School <u>Nutrition</u>	<u>Preschool</u>	<u>Total</u>
Cash flows from operating activities			
Cash received from sale of services	\$ 213,271	\$ 11,630	\$ 224,901
Cash payments to employees for services	(166,208)	(60,301)	(226,509)
Cash payments to suppliers for goods and services	<u>(163,620)</u>	<u>(39,196)</u>	<u>(202,816)</u>
Net cash used in operating activities	<u>(116,557)</u>	<u>(87,867)</u>	<u>(204,424)</u>
Cash flows from non-capital financing activities			
Operating transfers from other fund	-	110,995	110,995
State grants received	3,964	-	3,964
Federal grants received	<u>130,715</u>	<u>-</u>	<u>130,715</u>
Net cash provided by non-capital financing activities	<u>134,679</u>	<u>110,995</u>	<u>245,674</u>
Cash flows from capital and related financing activities			
Acquisition of capital assets	<u>(9,475)</u>	<u>-</u>	<u>(9,475)</u>
Cash flows from investing activities			
Interest on investments	<u>68</u>	<u>-</u>	<u>68</u>
Net increase in cash and cash equivalents	8,715	23,128	31,843
Cash and cash equivalents, beginning of year	<u>30,775</u>	<u>-</u>	<u>30,775</u>
Cash and cash equivalents, end of year	<u><u>\$ 39,490</u></u>	<u><u>\$ 23,128</u></u>	<u><u>\$ 62,618</u></u>

**Reconciliation of operating loss to net cash
used in operating activities**

Operating loss	\$(149,541)	\$(49,364)	\$(198,905)
Adjustments to reconcile operating loss to net cash used in operating activities			
Depreciation	6,849	-	6,849
Commodities used	28,348	-	28,348
Decrease in accounts receivable	97	-	97
(Increase) in inventory	(49)	-	(49)
Increase (decrease) in accounts payable	(2,349)	92	(2,257)
(Decrease) in due to other fund	-	(38,897)	(38,897)
Increase in accrued salaries and benefits	<u>88</u>	<u>302</u>	<u>390</u>
Net cash used in operating activities	<u><u>\$(116,557)</u></u>	<u><u>\$(87,867)</u></u>	<u><u>\$(204,424)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010 the District received \$28,348 of federal commodities.

See accompanying Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
For the Year Ended June 30, 2010

Schedule 6

Account	Balance, Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance, End of Year
Athletics	\$ 69,675	\$ 75,513	\$ 78,643	\$ 12,598	\$ 79,143
Middle school athletics	21,431	10,965	12,532	2,519	22,383
Beverage contract	7,296	4,500	7,276	-	4,520
Cheerleaders	2,263	1,554	3,329	-	488
Concessions	(1,777)	43,019	29,925	(15,117)	(3,800)
FFA	13,849	47,323	51,097	-	10,075
FFA Tractor Restoration	98	-	-	-	98
FFA Scholarship	650	-	-	-	650
FCCLA	1,442	4,493	3,690	-	2,245
Band	4,295	2,585	5,037	-	1,843
High school student council	2,484	5,719	7,491	-	712
Vocal music	1,492	4,855	5,329	-	1,018
National Honor Society	4,526	1,886	1,783	-	4,629
Science club	842	1,369	1,625	-	586
Spanish club	-	9,083	8,723	-	360
HS drama	2,905	1,604	892	-	3,617
Yearbook	4,425	13,361	14,162	-	3,624
Business Professionals of America	7,049	714	1,981	-	5,782
Art club	1,781	790	1,375	-	1,196
SEEDS	673	-	-	-	673
Just Eliminate Lies (J.E.L.)	209	33	24	-	218
High school account	7,790	253	2,126	-	5,917
Class of:					
2009	342	-	-	(342)	-
2010	1,945	-	985	-	960
2011	393	3,582	3,048	342	1,269
2012	523	354	-	-	877
2013	-	192	-	-	192
Middle school band	1,106	1,745	1,368	-	1,483
Middle school student council	-	1,693	2,405	2,122	1,410
Account					
Middle school account	451	19	-	-	470
Middle school fundraiser	1,418	18,743	18,097	(2,122)	(58)
Middle School scholarship	1,285	-	-	-	1,285
Bulldog Bities Restaurant	94	51	34	-	111
Elementary	2,123	1,047	1,944	-	1,226
Elementary art	1,560	3,659	3,068	-	2,151
Totals	<u>\$ 164,638</u>	<u>\$ 260,704</u>	<u>\$ 267,989</u>	<u>\$ -</u>	<u>\$ 157,353</u>

See accompanying Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Seven Years

Schedule 7

	Modified Accrual Basis						
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Revenues							
Local sources							
Local tax	\$3,716,148	\$4,254,772	\$3,825,239	\$4,151,862	\$4,022,781	\$3,973,148	\$4,048,951
Tuition	494,985	410,488	450,545	359,214	436,494	377,139	334,362
Other	357,288	356,316	556,153	743,492	642,149	455,373	486,340
State sources	3,751,832	4,443,746	4,340,322	4,051,480	3,666,552	3,641,209	3,451,503
Federal sources	719,155	145,884	157,961	195,416	175,681	232,064	174,926
Total revenues	<u>\$9,039,408</u>	<u>\$9,611,206</u>	<u>\$9,330,220</u>	<u>\$9,501,464</u>	<u>\$8,943,657</u>	<u>\$8,678,933</u>	<u>\$8,496,082</u>
Expenditures							
Current							
Instruction							
Regular	\$3,629,314	\$3,787,570	\$3,587,344	\$3,306,501	\$3,003,657	\$3,061,212	\$3,042,636
Special	999,875	1,072,013	997,712	911,008	915,070	845,138	860,062
Other	1,016,252	713,748	772,596	881,495	791,476	586,163	597,539
Support services							
Student	168,258	183,221	162,786	153,886	176,456	176,336	165,572
Instructional staff	323,464	340,803	270,028	265,487	298,285	95,705	149,222
Administration	726,618	734,026	704,316	712,645	649,963	765,701	798,523
Operation and maintenance of plant	567,637	572,117	597,762	587,349	504,097	444,312	479,432
Transportation	494,236	605,340	680,104	551,404	593,651	495,752	443,243
Central support services	-	-	-	-	-	-	70
Non-instructional programs	9,536	14,515	14,647	3,686	1,202	3,396	3,187
Other expenditures							
Facilities acquisition	914,174	406,226	273,494	534,265	586,718	426,644	101,192
Long-term debt							
Principal	-	400,000	445,000	540,000	845,000	820,000	785,000
Interest and other charges	-	7,148	44,096	66,113	100,133	129,191	163,713
AEA flowthrough	350,016	314,410	295,944	281,342	255,956	253,380	257,247
Total expenditures	<u>\$9,199,380</u>	<u>\$9,151,137</u>	<u>\$8,845,829</u>	<u>\$8,795,181</u>	<u>\$8,721,664</u>	<u>\$8,102,930</u>	<u>\$7,846,638</u>

See accompanying Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

Schedule 8

Grantor/Program	CFDA Number	Grant Number	Expenditures	
Indirect				
U.S. Department of Agriculture				
Iowa Department of Education				
School Nutrition Cluster Programs				
School Breakfast Program	10.553	FY10	\$ 17,841	
National School Lunch Program	10.555	FY10	141,222	*
Total Department of Agriculture			<u>159,063</u>	
U.S. Department of Education				
Iowa Department of Education				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies	84.010	FY10	62,957	
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY10	<u>11,034</u>	
			73,991	
Advanced Placement Program	84.330	FY10	56	
Improving Teacher Quality State Grants	84.367	FY10	31,122	
Grants for State Assessments and Related Activities	84.369	FY10	5,649	
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY10	<u>475,539</u>	
Total Iowa Department of Education			<u>586,357</u>	
Grant Wood Area Education Agency				
Special Education-Grants to States	84.027	FY10	44,016	**
Career and Technical Education -Basic Grants to States	84.048	FY10	17,855	
ARRA - Special Education Grants to States, Recovery Act	84.391	FY10	<u>70,927</u>	**
Total Area Education Agency			<u>132,798</u>	
Total Department of Education			<u>719,155</u>	
Total federal awards			<u>\$ 878,218</u>	

* Include \$28,348 of non-cash awards

** Total for Special Education Cluster (IDEA) is \$114,943

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Mediapolis Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying Independent Auditor's Report.

KAY L. CHAPMAN, CPA PC

119 West Mississippi Drive, Suite3
Muscatine, Iowa 52761
563-264-1385

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education
Mediapolis Community School District

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Mediapolis Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated January 20, 2011. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Mediapolis Community School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Mediapolis Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Mediapolis Community School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, I identified certain deficiencies in internal control over financial reporting I consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiency in internal

control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-10 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mediapolis Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Mediapolis Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings and Questioned Costs. While I have expressed my conclusions on the District's responses, I did not audit Mediapolis Community School District's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Mediapolis Community School District and other parties to whom Mediapolis Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by the personnel of the Mediapolis Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
January 20, 2011

KAY L. CHAPMAN, CPA PC

119 West Mississippi Drive, Suite 3

Muscatine, Iowa 52761

563-264-1385

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Education
Mediapolis Community School District

Compliance

I have audited the compliance of Mediapolis Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. Mediapolis Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Mediapolis Community School District's management. My responsibility is to express an opinion on Mediapolis Community School District's compliance based on my audit.

I conducted my audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mediapolis Community School District's compliance with those requirements and performing such other procedures as I consider necessary in the circumstances. I believe my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Mediapolis Community School District's compliance with those requirements.

In my opinion, Mediapolis Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Mediapolis Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning

and performing my audit, I considered Mediapolis Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Mediapolis Community School District's internal control over compliance.

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, I identified a deficiency in internal control over compliance I consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of the control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. I consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III- A-10 to be a material weakness.

Mediapolis Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings and Questioned Costs. While I have expressed my conclusions on the District's responses, I did not audit Mediapolis Community School District's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Mediapolis Community School District and other parties to whom Mediapolis Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Kay L. Chapman, CPA PC
January 20, 2011

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

Part I. Summary of the Independent Auditor's Results

1. Unqualified opinions were issued on the financial statements.
2. A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
3. The audit did not disclose any non-compliance which is material to the financial statements.
4. A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
5. An unqualified opinion was issued on compliance with requirements applicable to each major program.
6. The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
7. Major programs were as follows:
 - CFDA Number 84.394 ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act
 - Clustered programs:
 - CFDA Number 10.553 School Breakfast Program
 - CFDA Number 10.555 National School Lunch Program
8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
9. Mediapolis Community School District did not qualify as a low-risk auditee.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

Part II. Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCY

II-A-10 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts and disbursements, bank deposits and bank account reconciliations were all handled by the same person.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response and Corrective Action Planned - We will review our procedures and implement changes to improve internal control, as we deem necessary.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE

No matters were noted.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

Part III. Findings and Questioned Costs for Federal Awards

INSTANCES OF NON-COMPLIANCE

No matters were noted.

INTERNAL CONTROL DEFICIENCY

CFDA Number 10.553 School Breakfast Program

CFDA Number 10.555 National School Lunch Program

Federal Award Year: 2010

U.S. Department of Agriculture

Passed through the Iowa Department of Education

CFDA Number 84.394 ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act

Federal Award Year: 2010

U.S. Department of Education

Passed through the Iowa Department of Education

III-A-10 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts and disbursements, bank deposits and bank account reconciliations were all handled by the same person.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response and Corrective Action Planned - We have reviewed procedures and plan to make the necessary changes, as we deem necessary, to improve internal control.

Conclusion - Response accepted.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

Part IV. Other Findings Related to Required Statutory Reporting:

1. Certified Budget - Expenditures for the year ended June 30, 2010 did not exceed the amounts budgeted.
2. Questionable Expenditures - No expenditures I believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.
3. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
4. Business Transactions - No business transactions between the District and District officials or employees were noted.
5. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
6. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board.
7. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
8. Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
9. Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
10. Certified Annual Reports - The Certified Annual Report was certified timely to the Department of Education.
11. Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
12. Statewide Sales, Services and Use Tax - No instances of noncompliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax revenue are as follows:

Beginning balance		\$ 964,283
Revenues		
Statewide sales, services and use tax	\$ 728,544	
Interest earned	7,296	
Debt issuance for school infrastructure	<u>65,401</u>	801,241
Expenditures/transfers out		
School infrastructure		
Buildings and improvements		<u>(817,945)</u>
Ending balance		<u>\$ 947,579</u>

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	Per \$1,000	Property
	of Taxable	Tax
	<u>Valuation</u>	<u>Dollars</u>
Physical plant and equipment levy	\$ 2.95655	\$ 728,544

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT

Audit Staff
June 30, 2010

This audit was performed by

Kay Chapman, CPA
Tammy Calvert, staff accountant

Part II

3	⇒	FQC	#2	<div style="border: 1px solid black; padding: 2px;">YES</div>
4	⇒	FQC	#2	
5	⇒	FQC	#3 → NO	

Part III

3	⇒	NO	#4	→ <div style="border: 1px solid black; padding: 2px;">YES</div>
4	⇒	FQC	#4	
5	⇒	FQC	#4	
6	⇒	FQC	<div style="border: 1px solid black; padding: 2px;">NO</div>	

3-6

4

4
~~5017~~ ~~A~~

A133 *!

km	km	2010
km	km	2010
km	km	2010
km	km	2010
km	km	2010
km	km	2010
km	km	2010
km	km	2010
km	km	2010
km	km	2010

may

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Corrective Action Plan for Federal Audit Findings
For the Year Ended June 30, 2010

<u>Comment Number</u>	<u>Comment Title</u>	<u>Corrective Action Plan</u>	Contact Person, Title, Phone Number	Anticipated Date of Completion
III-A-10	Segregation of Duties	District will investigate and implement alternative procedures to increase segregation of duties.	Dawn Kelly Business Manager (319)394-3101	6/30/2011

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT

Summary Schedule of Prior Federal Audit Findings
For the Year Ended June 30, 2010

The district was not required to have a Single Audit in compliance with OMB Circular A-133 for the prior year (year ended June 30, 2009) therefore, there were no prior audit findings to report.